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The Authoritative Reference on Congress

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Capitol Quotes

● **FLYING SAUCERS** -- "The recent news stories about the sighting of flying saucers in the Panhandle of Texas has given us quite a bit of publicity.... It is interesting to talk to people who make a business of studying the different reports about these objects.... One told me about the man in Nebraska who reported he had seen one...and had communicated with its occupants.... I was told he had been confined in a mental institution...not because he reported seeing a flying saucer...but because he had told this story the same identical way a great number of times.... I had always thought people got into trouble for not telling the story the same way each time. According to my informant this is old-fashioned. According to the new rules, if you tell the story the same way every time, you are possessed of a fixation...and therefore subject to being confined. This creates quite a problem, because you will have to be fully aware at all times of the rule which is being applied in the particular jurisdiction in which you find yourself.... If you see a flying saucer, don't report it until you find out what rule is being applied in that locality.... It might be best to say nothing." -- Rep. Walter Rogers (D Texas) Nov. 21 newsletter.

● **RESEARCH OBSTACLES** -- "I think one of the largest obstacles to scientific advancement in the country -- particularly in the military sphere -- has been a lack of appreciation and understanding among certain high Government officials -- notably in the Pentagon -- with regard to the vital need of a vigorous research and development program to backstop the production of finished hardware on the other end. The attitude appears to have been that we should concentrate on producing the end items of military technology without bothering too much about the more abstract problems of research. Nothing could be more foolhardy or shortsighted.... Another factor -- and perhaps the most important one -- has been the severe budgetary restrictions under which our research and development programs have been forced to operate by the Administration.... The rationale of the Budget Bureau appears to be that if you can't define the expected results...in advance, it's not worth the money and can't be defended before Congress. This is indeed a shortsighted and even dangerous approach." -- Rep. Melvin Price (D Ill.) Nov. 12 address.

● **STEVENSON'S ROLE** -- "It was a pleasure to learn recently that Adlai Stevenson had accepted the offer extended by Secretary of State Dulles to take part in

discussions in preparation for the NATO Conference.... Mr. Dulles' invitation is in the best tradition of American political thought. Bipartisanship in foreign relations, especially at critical moments, has been a cornerstone of our political system.... As leader of the Free World, the United States must have unity within its domestic political structure if it is to be successful in meeting the serious problems it confronts. For that reason, I am very happy that Secretary Dulles made the invitation and that Governor Stevenson accepted it." -- Sen. Frederick G. Payne (R Maine) Nov. 28 newsletter.

"The appointment of Governor Stevenson...has revived national interest in, and discussion of, bipartisanship in...foreign policy.... The record...has been a spotty one and sometimes has worn quite thin.... It is discouraging to find Presidential Assistant Sherman Adams stooping to a new low in Chicago... where he told a Republican forum... 'I am not saying anything about the talents of the people invited'.... While Sen. Vandenberg was collaborating with the Truman Administration, he resolutely refused to make any speeches on a partisan basis. We have every right to expect the same high type of statesmanship from leaders in the Republican party...." -- Rep. Frank Thompson Jr. (D N.J.) Nov. 22 newsletter.

"The appointment of Mr. Stevenson...is, I believe, a useful and constructive step in strengthening the essentially non-partisan basis of our international policy. All of us, whether Republicans or Democrats, ought to welcome such steps...." -- Sen. Clifford P. Case (R N.J.) Nov. 21 address.

● **EDUCATION** -- "Russia's sensational satellite accomplishments have jolted Americans out of the rut of complacency in several areas.... Impressive to me is the evident success of the Soviet Union's educational system, particularly in the fields of engineering, technology and the higher sciences. The Russians leave nothing to chance. When a potential wizard, or even a better-than-average student, is spotted in Russia, he is quickly brought forth and 'given the works' in the way of concentrated and complete education. We haven't done that in this country.... Why not copy the Soviet system of teaching one foreign language well to each student -- beginning in the grades. In a world now the size of a cracker barrel, and in a battle to win men's minds, our people who will travel must be able to converse." -- Rep. Earl Wilson (R Ind.) Nov. 11 newsletter.

PRESIDENT EISENHOWER SUFFERS 'MILD' CEREBRAL OCCLUSION

President Eisenhower Nov. 25 suffered what attending physicians Nov. 26 said was an "occlusion (blockage) of a small branch of a cerebral vessel." Describing his condition as "mild and transitory in nature," they said the attack had no relation to Mr. Eisenhower's 1955 heart attack. They also declined to describe the attack as a mild stroke, though other physicians so interpreted it. The attending physicians said the President suffered a "slight impairment in speech," which was improving "perceptibly."

Medical bulletins released by the White House Nov. 26 said the President suffered "an occlusion of a small branch of a cerebral vessel which has produced a slight difficulty in speaking. There is no evidence of a cerebral hemorrhage or any serious lesion of the cerebral vessels. The difficulty in speaking has improved over the period of the last 24 hours and is now manifested only by a hesitancy in saying certain difficult words. Reading, writing and reasoning powers are not affected." The doctors said the President's condition would "require a period of rest and substantially decreased activity estimated at several weeks." They said hospitalization would not be necessary, that the President's physical strength was normal and he was able "to be up and about his home.... He is alert, his spirits are good, and he discussed with interest and clarity recent events."

Initials Documents

White House Press Secretary James C. Hagerty Nov. 27 said Mr. Eisenhower was in "fine" spirits and amused by a continuing "slight difficulty" in pronouncing hard words. Hagerty said the President had signed and initialed some Government documents.

The President's attack occurred Nov. 25, following a noon trip to National Airport to greet King Mohamed V of Morocco. Upon his return to the White House Mr. Eisenhower complained of a chill. He was examined by physicians during the afternoon, at which time the speech impairment was noted. The doctors' diagnosis, however, was not made public by the White House until 3 p.m. Nov. 26; earlier announcements indicated only that the President had suffered a "chill."

Hagerty, who returned from Paris Nov. 26, Nov. 27 said the precise report on the nature of Mr. Eisenhower's illness was withheld 24 hours because the doctors wanted to be certain about their diagnosis. "You can make a tentative diagnosis," Hagerty said, "but with the President of the United States, you have to confirm the diagnosis While you can make a tentative original diagnosis, it is awfully important also that you confirm that original diagnosis before you announce it not only to the people of the United States but to the world." Hagerty took issue with the use of the word "stroke" to describe the President's condition. He said the attending physicians had told him that stroke connoted a hemorrhage of the brain, whereas there had been none. The public would have

assumed that there had been a hemorrhage if the word stroke were employed in discussing the case, Hagerty said.

Vice President Richard M. Nixon Nov. 26 spent seven hours and 40 minutes at the White House, but did not see the President. As he left Nixon said there had been "no talk" of Mr. Eisenhower resigning. "In my view the President if necessary could make major decisions," he said. "But we see no decision that needs to be made." Nixon said there had been no delegation of Presidential authority, but that the President would be bothered as little as possible. He said he was "confident the President will recover completely and return to his desk."

Nixon was accompanied to the White House by Attorney General William P. Rogers. Secretary of State John Foster Dulles also was at the White House during the day.

Nixon returned to the White House Nov. 27 and, with Assistant to the President Sherman Adams, saw Mr. Eisenhower for 15 minutes. Hagerty said the three discussed "everything under the sun." Official business discussed at the meeting included, according to Hagerty, the fiscal 1959 budget, the December NATO meeting and legislative matters to be discussed at upcoming White House meetings with Congressional leaders.

Delegation of Authority

Hagerty Nov. 27 told reporters the President had not discussed with anyone the possibility he might have to delegate his powers because of his illness. Early indications were that the conduct of White House business during Mr. Eisenhower's convalescence would follow routines established in the President's two previous illnesses.

During those periods many Presidential duties were assigned to Adams, who directed day-to-day operations. President Eisenhower once described Adams as "my right hand man and my chief of staff, the only person who really understands what I am trying to do."

Nixon, who during the earlier illnesses presided over meetings of the Cabinet and the National Security Council but otherwise remained in the background, seems destined for greater leadership responsibilities in the current illness. Increasingly prominent both in domestic and foreign affairs in recent months, Nixon likely will take a leading role in planning with Congressional leaders for the coming session. He also has been mentioned as a stand-in for President Eisenhower at the Paris NATO meeting in December.

Nixon's increase in prominence has been no accident. Mr. Eisenhower Feb. 7 said he believed "it is almost showing indifference to the welfare of the American people, unless you keep the Vice President aware of everything that is going on. Even if Mr. Nixon and I were not good friends, I would still have him in every important conference of Government, so that if the Grim Reaper would find it time to take, remove me from this scene, he is ready to step in without any interruption...."

EISENHOWER'S ILLNESS AGAIN RAISES DISABILITY ISSUE

President Eisenhower's Nov. 25 illness -- his third major illness in slightly more than two years -- once again has raised a vexing constitutional question: how to determine when the President is unable to perform the functions of his office. This is a problem that has troubled students of the Constitution since it was created.

The President's latest attack was described by White House doctors Nov. 26 as a closure of an artery in the brain. "Although the present condition is mild and is expected to be transitory in nature," they said, "it will require a period of rest and substantially decreased activity estimated at several weeks." Associate White House Press Secretary Anne Wheaton said she was unaware of any White House discussion of the disability issue. She said she drew the implication from the medical report that Mr. Eisenhower would be able to function as President.

The Justice Department, which at President Eisenhower's request tackled the disability problem in 1956, made its recommendations to Congress March 29, 1957. The Administration proposal, under which the Cabinet would be empowered to determine Presidential disability, was greeted with little enthusiasm by most Members of Congress. (Weekly Report, p. 419)

A House Judiciary subcommittee May 19 passed it to the full Committee without recommendation. Chairman Emanuel Celler (D N.Y.) said the subcommittee "didn't reject anything," but the President's recommendations found little support. The full Committee took no further action in 1957, but it scheduled four measures (H J Res 293, 295, 334 and HR 6510) for consideration early in 1958.

The Senate Judiciary Committee took no action on Presidential disability in 1957 and has scheduled none for 1958. The Senate in 1956 approved a resolution to establish a joint committee to study disability and other problems concerning the Presidency and Vice Presidency. But the proposal died in the House Rules Committee.

Source of the difficulty is in the wording of the Constitution, which provides: "In case of the removal of the President from office, or of his death, resignation or inability to discharge the powers and duties of the said office, the same shall devolve on the Vice President, and the Congress may by law provide for the case of removal, death, resignation or inability, both of the President and Vice President, declaring what officer shall then act as President, and such officer shall act accordingly, until the disability be removed, or a President shall be elected." The Constitution does not say how Presidential inability is to be determined, nor by whom. It does not state exactly what it is the Vice President succeeds to when the President is disabled: does he succeed, as "Acting President," to the powers and duties of the office, or does he succeed to the Presidency itself? Finally, it does not say how, if at all, a President may reclaim his office upon recovery from a temporary disability. (See next page)

The ambiguity of the Constitution on these points appears to have been no accident. At the constitutional convention of 1787, Delegate John Dickinson of Delaware asked: "What is the extent of the term 'disability' and who is to be the judge of it?" He received no answer.

In the absence of clear constitutional directives, statesmen of later periods were left to work out their own

answers to the problem. Throughout U.S. history, three Presidents have suffered extended periods of disability:

- President James A. Garfield was shot July 2, 1881, and remained totally incapacitated until his death 80 days later. Vice President Chester A. Arthur, generally considered a political puppet of an opposing wing of the Republican party, took no steps to assume Presidential powers. He returned to Washington from New York, but never saw Garfield, though he received daily reports from Secretary of State James G. Blaine. Upon his succession to the Presidency, Arthur unsuccessfully appealed to Congress to settle the disability question.

- President Woodrow Wilson did not meet with his Cabinet from the time his illness began Sept. 26, 1919, until April 13, 1920. He was able to resume only a few of his official duties before his term ended March 4, 1921. Vice President Thomas R. Marshall never was officially informed of the nature of Wilson's illness. Secretary of State Robert Lansing was forced to resign for attempting to invoke the disability clause of the Constitution and for calling Cabinet meetings without Wilson's permission. Effective control of the White House lay in a so-called "palace regency" headed by Mrs. Wilson. As a result of Wilson's illness, four measures were introduced to implement the disability clause, but none ever emerged from committee.

- President Eisenhower's 1955 heart attack and subsequent ileitis operation kept him from bearing a full workload for lengthy periods. Following the heart attack, Vice President Nixon presided at Cabinet and National Security Council meetings and remained within overnight distance of Washington. Attorney General Herbert Brownell Jr. said there was no need to delegate Presidential powers, that there were sufficient legal arrangements to carry on "day-to-day operations." As a result of Mr. Eisenhower's illness, Congress again was inundated with suggestions on the disability clause.

Most suggested clarifications of the disability clause offered since 1881 fall into three categories:

Cabinet Responsibility. The most recent proposal was that made by Mr. Eisenhower March 29, 1957. He requested a two-pronged constitutional amendment under which the President himself could inform the Vice President that he was disabled and wished temporarily to be relieved of his duties; the President also would decide when his disability had ended. Under the second half of the proposal, if the President were unable or unwilling to declare himself disabled, a Cabinet majority could decide whether he was able to continue in office.

Inability Commission. One such commission (HR 6510) would be composed of members of the legislative, executive and judicial branches of government. Under the proposal by Rep. Kenneth B. Keating (R N.Y.), the commission could require the President to submit to physical and mental examinations and to declare the existence of a disability by a two-thirds vote.

Vice Presidential Responsibility. Under a 1956 plan, the Vice President could convene a joint session of Congress and announce he was taking over as "Acting President." Congress would not have to approve. Thereafter either the President or Vice President could determine that the period of disability had ended.

EISENHOWER, BROWNELL GIVE THEIR VIEWS ON DISABILITY

President's Comments

President Eisenhower, at his April 4 press conference, was questioned about his recommendations concerning Presidential disability. Following is the text of the question and Mr. Eisenhower's reply:

MRS. MAY CRAIG of The Portland (Maine) Press Herald -- When Mr. Brownell was testifying before the House Judiciary subcommittee recently in support of the Administration bill on Presidential disability, Members expressed objection to having the Cabinet, with the Vice President, make the decision. Some said that the Cabinet would be so loyal to the President they would never certify he was disabled. The other side said that the Cabinet might gang up with the Vice President to oust the President. Would you tell us why you chose the Cabinet as the organ to do it?

PRESIDENT EISENHOWER -- Well, in the first place, let's get one thing clear: All we sent to Congress was a suggestion of how something might be done, and we sent it because we thought in view of all the studies going on down there they would want the results of those studies. I have no official function in the amending of the Constitution, and what we proposed was an amendment to the Constitution.

Now, in all the study of it, here is what we ran into: There is only two people in the United States that are elected by all of the people, the President and the Vice President. And we ran into the feeling that the people of the United States would resent very bitterly any effort or any opportunity for anyone antagonistic to the President just to give him the old heaveho on a political basis and get rid of him.

So, because you take in the one case, the first case we covered, the President himself knows, let's say, he is going into a hospital for a very dangerous operation of some kind, and he may be out for seven days or eight days, where he can't even communicate with anyone, he said, "all right, I am temporarily disabled," and it is provided for that way.

There could be a case where a man (would) have a stroke that was slight from which he could recover. We have great statesmen in the world today that recovered from a couple of them and carried on for years. But he wouldn't be able to say, "I am incapable of acting," because he would be unconscious.

Now, the Vice President, as we see under the present wording of the Constitution, the Vice President himself has to decide that. But he has always been reluctant to do it because he says, "how would we turn it back at the end," or "do I become President for the whole time or am I acting President or am I really the President" and it is astonishing how full our records are of contrary opinions on this.

Now, so we said, all right, the President is appointed -- the Cabinet is appointed by the President. So if the Vice President decides that the President is out of circulation for a brief time or longer time, he goes to the Cabinet, lays it before them, and if a majority of the Cabinet, presumably friends of the President, appointed by him, say, "yes, that is right," he takes over. And until the President is again able to say, "I now resume, I am now able to resume my office," why, he would continue to act in that capacity.

Now, we must remember that behind this whole thing is the ability and the power in the Congress to impeach a President. Presumably if a President got in such shape that he was just acting wildly and unconstitutionally, that would happen. That is the final practice, final protection of the people against a President who is absolutely unable to discharge the functions of his

Brownell's Comments

A Special Subcommittee of the House Judiciary Committee April 1 held a one-day hearing on the problem of Presidential disability. The only witness was Attorney General Herbert Brownell Jr., who presented the case for President Eisenhower's disability proposal. Following are excerpts from the hearing record bearing on the existing situation in the absence of legislation or constitutional amendment:

Brownell, after reviewing the circumstances surrounding the illnesses of Presidents James A. Garfield and Woodrow Wilson: "Now it seems to me a study of these two cases -- the Garfield and the Wilson cases -- shows there is a real need for a means of supplying an active President during times of Presidential inability, and it is the belief that the Vice President actually becomes President for the balance of the term when called upon as such which has nullified, for practical effect, the constitutional provision for the administration of Government when the President is incapacitated."

* * *

Brownell -- "At the time of President Garfield's illness in 1881, the great weight of opinion favored the interpretation that Vice President Arthur, and he alone, could determine that the President was disabled. At that time most students of the Constitution said that the Vice President was obligated to exercise the powers of the Presidency during Garfield's illness, just as much as he was obligated to preside over the Senate or perform any other constitutional duty, and that no enabling action by the courts or the Congress or the Cabinet was necessary."

"Since the Vice President had the duty of acting as President, it was argued, in certain contingencies, his official discretion extends to the determination of whether such a contingency actually exists. In other words, they were applying the well known rule of law that in contingent grants of power the one to whom the power is granted is to decide when the emergency has arisen."

Subcommittee Chairman Emanuel Celler (D N.Y.) -- "Don't you agree with that statement?"

Brownell -- "I do."

Celler -- "If that is the case, and the Constitution vests that power in the Vice President, he is the one to whom the power is granted, and, therefore, the Vice President must decide when the contingency arises."

Brownell -- "That is right; but I think it shouldn't depend on one man's opinion, even if he has a title back of his name. I think there should be a constitutional provision which would make it so clear that we couldn't have this kind of debate."

* * *

Brownell -- "Thus the Vice President is constituted the judge of the President's inability. As the Constitution now stands, it mentions only the successor, and thus makes him the judge of the facts. I believe the Constitution now vests the power of determining inability in the Vice President and that the Vice President could not constitutionally be divested of this power without a constitutional amendment.... I think, as a practical matter, that a Vice President would not undertake the exercise of Presidential power during the period of Presidential inability without first consulting the Cabinet; but, under the Constitution, as I say, as it is now, he could do so."

office, but doesn't know it. In other words, we assume we are dealing with honest people; we are not dealing with people who are jockeying against each other to seize power. We are dealing with honest people, and this is what this amendment does.

CIVIL RIGHTS POST FILLED

The White House Nov. 25 announced President Eisenhower would appoint Assistant Attorney General W. Wilson White to head the Justice Department's new Civil Rights Division, created by the Civil Rights Act of 1957. Associate White House Press Secretary Anne Wheaton said White would resign his current post as legal counsel of the Department and take a recess appointment as chief of the Civil Rights Division. Mrs. Wheaton said both President Eisenhower and White agreed that, because of the importance of the position, White's selection should be confirmed by the Senate. Earlier reports had indicated that White would simply be transferred from his current post to the civil rights post, eliminating the necessity of Senate approval. White, 51, is a native of Philadelphia and a former law partner of Rep. Hugh Scott (R Pa.).

NIXON ON SOVIET THREAT

Vice President Richard M. Nixon in a Nov. 24 speech said the United States must not become a "pale carbon copy of the scientific materialism which the Soviet Union offers to the world." The Nation, he said, must not fail "to develop the economic, the psychological and other forces to keep free nations and so-called uncommitted nations from falling under the domination of the Communist powers." Nixon, appearing at dedication of a B'nai B'rith headquarters in Washington, cautioned that "we must not make the mistake of failing to recognize that education in the United States must be education which is not devoted simply to aping what the Soviet Union has done, but education which recognizes that there are other areas -- of the human spirit and the arts -- which are as important as the development of our scientific and technical capability."

In a Nov. 21 speech to the Committee for Economic Development in Washington, Nixon said the U.S. was late in starting on missile development "not because of a political decision but because of a calculated military decision." He said the U.S. concentrated on long-range strategic bombers and Russia on long-range missiles. "If we continue to place proper emphasis and provide adequate funds there is no reason why the United States should stay behind" in missile development, he added. Nixon said the "primary danger" was from Communist gains and aggression "under borders rather than over borders." Urging increased support for the Mutual Security Program, he said: "We provide aid because we believe it is in our interest and the interest of the free world to see that any country remains independent of any foreign domination. National independence is incompatible with international Communism."

FHA HOUSING PROGRAM

Federal Housing Administrator Albert M. Cole Nov. 21 told an Atlantic City meeting of the New Jersey State League of Municipalities that the FHA is considering a "partnership" plan with private builders designed to produce housing "more economically and efficiently for people of modest means." Under Cole's plan, the FHA, through a new Home Loan Guarantee Corp., would insure 20 percent of a home loan and permit private lenders to set their own interest rates. The homes would be eligible for Government-aided financing without meeting any required Government standards. FHA currently insures 100 percent of a home loan, while setting a maximum interest rate and construction standards.

MILITARY AID REPORT

The General Accounting Office, in a report made available Nov. 23, said United States military aid objectives in many allied countries were "unrealistic" and financially unsound. It said the U.S. had sent to some allies more weapons than they could or would use and had failed to "recapture" these weapons for reallocation to allies suffering from a real shortage of equipment for their troops. "We are recommending that the Secretary of Defense review and reestablish the present approved force objectives after giving full consideration to recipient country capabilities, United States purposes and the priorities of desired accomplishments," the report said.

GAO said the Army and Air Force had failed to provide "adequate" accounting and reporting on the supply and delivery of military aid and recommended that both services assign responsibility for such reports to their supply terminals overseas. The report said the military aid program must be put "on an austere basis within the demonstrated capability and willingness of the recipients."

Capitol Briefs

KNOWLAND TO KEEP POST

Sen. William F. Knowland (R Calif.) Nov. 20 said in California he would continue as Senate Minority Leader during the next session of Congress, despite his entry into the California gubernatorial campaign.

KENNEDY PROGRAM

Sen. John F. Kennedy (D Mass.), in a Nov. 17 speech at New York City, listed several subjects as problems that "cry out for our attention in Washington" in 1958. He called for increased aid for the aged, immigration law revision, Federal school construction assistance, expanded coverage under the Fair Labor Standards Act, low- and middle-income housing assistance, urban renewal, welfare and pension plan disclosure legislation, low-cost atomic power and protection for natural gas consumers.

BRIDGES 'EXPECTS' BALANCED BUDGET

Sen. Styles Bridges (R N.H.), ranking Republican on the Appropriations Committee, Nov. 25 told the U.S. Savings and Loan League's Chicago meeting he "expected" President Eisenhower to submit a balanced budget to Congress in January "despite what increases for missile and satellite development may be necessary." Bridges said: "I am acutely aware of the need to strike a balance between economic stability and military superiority based on a matchless technology. I believe we can have both; indeed it is vital that we do have both." Bridges said he did not think "the people of this country can be asked to contribute much more in tax revenue and still have them feel that they operate in a free economy."

COST OF LIVING

The Department of Labor Nov. 22 reported its consumer price index remained the same for the month of October as for September, the first time in 13 months it had not risen. A decrease in food prices was the primary factor in keeping the index at 121.1. In October, 1956, the cost of living index stood at 120.2; the 1947-49 average is considered 100.



\$300 MILLION FUND STILL IN THE PAPER STAGE

Three months after Congress appropriated \$300 million to start the International Cooperation Administration's Development Loan Fund, the project is still in the paper stage. No loan applications have been accepted, no funds obligated. Yet the Administration's chief spokesman on foreign economic aid, Deputy Under Secretary of State C. Douglas Dillon, announced Nov. 18 that Congress would be asked to appropriate the full \$625 million authorized for the fund's second year.

To justify these additional funds, foreign aid officials must, as a practical matter, obligate a substantial portion of the \$300 million over the next three or four months. Moreover, it is a matter of political necessity that the funds be allocated to a broad selection of underdeveloped nations. Yet both of these requirements -- for speed and for "fair share" distribution -- violate the Administration's original concept of the fund.

Background

The Development Loan Fund, as authorized, represents a compromise between the conflicting desires of the Administration for greater flexibility in the economic aid field and of Congress for greater control over the purse strings. The former wished to break away from the pattern of annual appropriations for two major reasons: they prevented the United States from making firm commitments to assist other nations in long-term development projects, and they forced the Administration to approach Congress for funds each spring on the basis of "illustrative country programs" which, although largely guesswork, tended to become frozen in the minds of aid recipients.

For its part, Congress, having become increasingly critical of foreign aid in all its aspects, desired to make two basic changes in the economic area: to concentrate all development assistance, as distinguished from military aid and technical assistance, in one fund, and to restrict such assistance to loans.

On May 13, 1957, the Special Senate Committee to Study the Foreign Aid Program, established in 1956, filed its report (S Rept 300) endorsing the general concept of a Development Loan Fund which had been suggested to the Committee by Secretary of State John Foster Dulles. The report warned, however, that "the fund should not be established in permanent form until its implications have been fully examined" by the Administration and Congress.

The Development Loan Fund was requested officially by President Eisenhower in his foreign aid message May 21. (Weekly Report, p. 625) He asked Congress to give the fund "assurance of continuity" by appropriating \$500 million for fiscal 1958 and authorizing it to borrow \$750 million from the Treasury in each of the two succeeding fiscal years. Without this advance authority, he said, "the fund would be little more than a new name for continuing, with minor improvements, the present practices."

Authority for Fund

"The President is hereby authorized to make loans, credits, or guaranties, or to engage in other financing operations or transactions (not to include grants or direct purchases of equity securities), to or with such nations, organizations, persons or other entities, and on such terms and conditions, as he may determine, taking into account

"(1) whether financing could be obtained in whole or in part from other free world sources on reasonable terms,

"(2) the economic and technical soundness of the activity to be financed, and

"(3) whether the activity gives reasonable promise of contributing to the development of economic resources or to the increase of productive capacities in furtherance of the purposes of this title.

"Loans shall be made from the fund only on the basis of firm commitments by the borrowers to make repayment and upon a finding that there are reasonable prospects of such repayment.

"The fund shall be administered so as to support and encourage private investment and other private participation furthering the purposes of this title, and it shall be administered so as not to compete with private investment capital, the Export-Import Bank or the International Bank for Reconstruction and Development." (PL 141, enacted Aug. 14, 1957)

The President's terms for the fund were embodied in the Mutual Security Act of 1957 (S 2130) as reported by the Senate Foreign Relations Committee June 7 (S Rept 417) and passed by the Senate June 14 by a roll-call vote of 57-25. Before passage, the Senate defeated, 32-54, a move by Sen. Wayne Morse (D Ore.) to eliminate the fund's authority to borrow funds in fiscal 1959 and 1960.

But in the House the bill encountered strong opposition on the advance borrowing provision. As reported by the House Foreign Affairs Committee July 9 (H Rept 776), the bill authorized the fund to borrow only \$500 million in each of the two subsequent fiscal years. But before passage July 19, the House accepted an amendment eliminating borrowing authority. (Weekly Report, p. 903)

The compromise bill, enacted Aug. 14, authorized an appropriation of \$500 million for fiscal 1958 and one of \$625 million for fiscal 1959. (Weekly Report, p. 982) However, actual appropriations for the Mutual Security Program, enacted Aug. 30, carried only \$300 million for the fund's first year. (Weekly Report, p. 1058) Since this is "no-year" money, the fund is under no legal obligation to allocate it before June 30, 1958. But by eliminating the fund's proposed borrowing authority, Congress forced the Administration to make a case in 1958 before it will appropriate any of the \$625 million authorized for next year. Thus the compulsion to obligate much of the \$300 million in the next few months.

How Fund Will Operate

Specific criteria to govern loans from the fund have not been announced as yet. General criteria, as set forth in the law (see box on preceding page), provide in effect that the fund is to be a credit source of last resort. Clues as to the manner in which it will operate may be found in the testimony of foreign aid officials before the Senate Foreign Relations Committee.

● How will fund differ from other lending organs?

Principally in accepting repayment in local currencies. The U.S. Export-Import Bank requires repayment in dollars. The International Bank will accept local currencies only when these will have some value in its lending operations. The fund, although required to make a finding that any loan will be repaid, is expected to deal in "soft loans" wherein the prospect of repayment would, as the President stated May 21, be based "on confidence in the long-range development of the borrowing country and on hope for an improved international political climate rather than on presently demonstrable financial soundness."

● On what terms will the fund make loans?

It is expected that terms will be as liberal as those allowed on earlier mutual security loans: 40-year terms, with interest rates of 3 percent if repaid in dollars and of 4 percent if in local currency, and payments of interest and principal to begin four years after the loan is made.

● How soon will the fund revolve?

After many years, if ever. Repayments on 40-year loans would, in any event, mount slowly. But repayments in local currencies that are not convertible to dollars will not replenish the amount of loanable dollars. Thus the fund will be forced to seek additional dollar capital for years to come, if it is to continue its lending operations.

● How will the fund fulfill its mandate to "support and encourage private investment?"

ICA officials cite, as an example, a possible loan to Italian and American firms interested in exploiting phosphate and potash deposits in a Middle Eastern country. But, they note, "the country's government would also need a loan to build a railroad or a road from the deposits to the nearest port so that the output could be marketed."

● Who will "make policy" for the fund?

A three-member Loan Committee, composed of Deputy Under Secretary Dillon as chairman, President Samuel C. Waugh of the Export-Import Bank and ICA Director James H. Smith. Although the fund is housed in ICA, Senate and House conferees on the mutual security bill urged that the fund be organized in 1958 as a Government corporation "under the policy direction of the State Department."

Authorization of the fund in 1957 did not resolve all of the conflicting viewpoints on the subject of U.S. development assistance. Three basic issues are still outstanding.

Underlying Issues

● To what extent should the fund be capitalized?

The Administration, having asked for \$2 billion over three years, is likely to receive less than \$900 million over two years. This may suffice in the program's initial stages. But the need for continuous availability of large sums for development loan purposes is more likely to increase than to decrease. At the same time, there is no present indication that a majority of Senators and Representatives is willing to forego the right of Congress to control programs and expenditures through the annual appropriation process.

● Are foreign loans, no matter on what terms, preferable to grants?

Six members of the House Foreign Affairs Committee denounced the Development Loan Fund as "a grant program in disguise." They cited testimony by Waugh that "excessive lending on soft terms may make the recipient an unsuitable subject for hard loans," and they concluded that "bad loans will drive out good loans." The Special Senate Committee warned that "'soft loans' must not become merely another name for grants and they must not be allowed to work financial havoc with the sound fiscal devices of international finance already in operation."

Even if most of the loans are repaid, it is likely to be in non-convertible local currencies, since a country's ability to repay in dollars or gold would enable it to borrow money from other sources. The United States already owns some \$2 billion in local currencies accepted in repayment for prior loans and in payment for surplus agricultural commodities. These can be re-loaned to the borrower or purchaser but cannot, in most instances, be repatriated. When this accumulation starts to receive additional sums, as Development Fund loans are paid off, "that is going to create a real problem," according to former ICA Director John B. Hollister.

Is it practical, even if desirable, that loans to underdeveloped countries be tied to the development of private enterprise?

Congress appears to believe so, and the Administration has said that it agrees. Yet most of the independent studies of foreign aid requirements have stressed the great need in underdeveloped countries for what is called "social capital" or investment in education, health, roads, irrigation and other areas which are normally financed by governments. As Secretary Dulles told the Senate Foreign Relations Committee, "a substantial part of the financing undertaken by the fund would be devoted to basic works such as transport, communication systems, power installations, harbors, irrigation and drainage projects -- the capital needed to create the environment in which private initiative can come into play."

In this view, it would appear that there might be only an indirect and long-range relationship between loans made and the growth of private enterprise in the underdeveloped countries. But this may not be satisfactory to Members of Congress, many of whom have expressed opposition to the idea of extending further loans to India on the ground that some basic areas of the Indian economy are government-owned.

ATOMIC SECURITY

COMMITTEE -- Joint Atomic Energy.

ACTION -- Nov. 25 released a report on the revision of the Atomic Energy Act to facilitate the exchange of scientific and technological information with friendly nations. The report was prepared by Committee Consultant Thomas E. Murray, a former member of the Atomic Energy Commission. (Weekly Report, p. 1207)

Murray urged enactment of legislation to provide "for the fullest practicable exchange of nuclear information with friendly countries." Such exchange, he said, should be made a matter of administrative discretion and not subject to Congressional control. The "unity of the free world in nuclear affairs," he said, required a four-pronged program of international cooperation involving: exchange of scientific and technological information; an integrated international program of nuclear research and development; exchange of certain information about nuclear weapons, including some information about nuclear strength as represented by existing stockpiles; and establishment of a common nuclear stockpile through a transfer of certain types of weapons to our military allies.

The report said: "Originally the concept of nuclear secrecy assumed its dominant and controlling position in the Atomic Energy Act in order to protect the nuclear monopoly of the United States. After the monopoly was shattered, the concept still remained in control, but now to protect the nuclear superiority of the United States,.... secrecy cannot halt Soviet progress. It will not prevent the Soviet Union from 'catching up' with us or from 'getting ahead' of us, even in those areas in which we are still 'ahead.' It is even a question how far and how long secrecy will hamper or delay the Soviet establishment in reaching the goals, whatever they are, upon which it has set its sights. It does not follow, of course, that secrecy should be abolished. But it does follow that the value of secrecy for the protection of superiority in nuclear technology has been drastically diminished, and that its value is doomed to continued decrease."

U.S. FISCAL POLICY

COMMITTEE -- Joint Economic, Fiscal Policy Subcommittee.

CONTINUED HEARINGS -- On the relationship of Federal spending to the Nation's economic growth and stability. (Weekly Report, p. 1271)

TESTIMONY -- Nov. 25 -- Dr. Robinson Newcomb, an economic consultant, said "this may be an opportune time to re-examine the position which the Federal Government might take in the housing field, not to overcome a depression, but to promote economic growth and stability." The Government, he said, "has continued to think in terms of protecting against another depression. It still thinks in terms of high reserves and liquidity. It still provides little central credit. It makes funds available through use of short-term financing, despite the fact that mortgages are long-term papers." Boris

Shishkin, secretary of the AFL-CIO housing committee, said housing and urban redevelopment policy was not aimed at the proper objective. It must be geared to the housing needs of the Nation, he said.

SMALL BUSINESS

COMMITTEE -- House Small Business.

HELD HEARINGS -- On financing problems of small business. (Weekly Report, p. 1271)

TESTIMONY -- Nov. 21 -- Secretary of the Treasury Robert B. Anderson said "we will make every effort to get by" without exceeding the current \$275 billion public debt limit, but added that he could take "no position of absolutism." He said the Nation's economy was going through "a period of readjustment," and that the Federal Reserve Board's Nov. 14 decrease in its interest rates was "a step in the right direction." (Weekly Report, p. 1262)

He said he believed the United States could have both an adequate defense and a strong economy. "I wouldn't want to minimize the importance of maintaining a balanced budget," he said. Anderson said a suggestion by Chairman Wright Patman (D Texas) that small businesses not be required to pay the 3 percent transportation tax was a worthy idea and should be studied. Any tax reduction for small business should turn upon the "whole economic position of the country," he said.

Federal Reserve Board Chairman William McChesney Martin Jr. said he was "not pessimistic" about the economy. Asked if he thought there was a recession, Martin said, "I see nothing to get excited about." He added that "at the moment inflationary pressures are abating," but this "doesn't mean they won't return." He declined to say whether his agency planned any further action to relieve the tight money situation.

Nov. 22 -- G. Keith Funston, president of the New York Stock Exchange, in a prepared statement, said "the best source of outside equity for small business, in my opinion, is the billions of dollars of locked-in capital held by long-time investors." He said such investors were blocked from transferring their assets to small companies by the prospect of paying a capital gains tax penalty. "It is in this area," Funston said, "that Congress can make an important contribution to increasing the flow of equity capital to smaller business."

Edward McCormick, president of the American Stock Exchange, said the incentive of investors to place their funds in stocks was destroyed by the "program for double taxation of corporate income which is now in effect." He suggested that Congress explore the possibility of establishing an investment trust under joint Government and private capital operation to provide equity capital to small business. "We will not find the solution to the problems of small business in granting further loans," McCormick said.

RELATED DEVELOPMENT -- Nov. 22 -- The Committee, in a statement at the conclusion of its hearings, said two bills were being prepared for introduction in 1958 to aid small business by tax relief and long-term loans and equity capital.

SENATE COMMITTEE OPENS INVESTIGATION INTO MISSILE LAG

COMMITTEE -- Senate Armed Services, Preparedness Investigating Subcommittee.

BEGAN HEARINGS -- On U.S. satellite and missile programs. (Weekly Report, p. 1270)

TESTIMONY -- Nov. 25 -- Chairman Lyndon B. Johnson (D Texas), in an opening statement, said it was hoped the hearings would bring "a clear definition of the present threat to our security -- perhaps the greatest that our country has ever known." Johnson said "our goal is to find out what is to be done." "We will not reach that goal by wandering up any blind alleys of partisanship." He said confidential briefings of Subcommittee members by the Defense Department "give me no cause for comfort," but added that he did not feel the facts should be withheld from the public.

Dr. Edward Teller, a nuclear scientist at the University of California who is known as the "father of the H-bomb," listed as "very high priority items" for immediate national attention: the question of Strategic Air Command preparedness; the feasibility of accelerating and expanding the missile program; the problem of civil defense and "what needs to be done to put the United States in a position to reconstruct itself if hit;" faster production of nuclear-powered submarines, and an immediate start on a "real long-range program" of better scientific education.

Teller said in 1946 the U.S. could have decided to proceed at top speed with missile development, but instead emphasis was put on development of nuclear warheads. When the program did start, Teller said the work was "excellently managed...but it came too late." He said it was too late to reorganize the existing management of the programs because it "could rock the boat," but he advocated progressively stronger and more unified direction. Teller said the Russians have "or will have in a short time" an intercontinental ballistic missile capable of hitting an American city, that their efforts "are fully comparable to ours," and that in radar, "I doubt that we still have our lead."

Dr. Vannevar Bush, director of the Government's World War II scientific research program, said the Unification Act of 1947 needed "overhauling" to end the sometimes "disgraceful" conflict between the armed services. He suggested a central military policy planning board, composed of officers and civilians, some who were about to retire from service and others called back from retirement. Bush said he agreed with Teller that if Russia did not already have an effective intercontinental missile it would have one soon.

Dr. John Chipman of Massachusetts Institute of Technology, said he was "frightened" during a recent visit to Russia to learn the country was graduating 4,500 metallurgical engineers annually, compared to the United States' 450.

Nov. 26 -- Lt. Gen. James Doolittle (ret.) recommended creation of an advisory military staff for the Secretary of Defense. He said the Joint Chiefs of Staff were handicapped by their individual obligations to their own services. The changes must be "evolutionary," he said, "because at this time we must not upset our military establishment and even momentarily assume a position of weakness. He called for a major strengthening of SAC, a heavy increase in aircraft and missiles, and "an immediate substantial increase in our military budget."

Dr. John P. Hagen, director of the Vanguard satellite program, said the project always was placed secondary to ballistic missile projects. Hagen said he was turned down in 1955 when he sought top priority for the work. Had the priority been received, Hagen said, "we would certainly have advanced the launching date and I think certainly been ahead of the Russians." He proposed putting "space investigation and space flight" under a single agency with "authority and responsibility for action." He said launching a full-fledged satellite should come in March, 1958, and that attempts would be made in December, 1957, to put a six-inch satellite into orbit.

Nov. 27 -- Secretary of Defense Neil H. McElroy said production of both the Jupiter and Thor missiles was being authorized, and that his department was "greatly encouraged by the success that has been achieved in the recent tests of both of these missiles." He said although the missiles were not through their development phase, they were at a point where "we can on the basis of judgment make a sound decision to program additional production for operational purposes." McElroy also said the Department had been making "an intensive reassessment" of its position on the rival IRBM missiles.

Closed session testimony was given by Allen W. Dulles, director of the Central Intelligence Agency, and Dr. Herbert Scoville, director of CIA's Office of Scientific Intelligence. A statement on the session said testimony indicated that the Soviet atomic energy program was making steady progress with a view to providing nuclear warheads for their missiles as well as other nuclear weapons. Following the session, Sen. Styles Bridges (R N.H.) said the Subcommittee received "very unpleasant information." The Committee's report, he said "will shock any complacency out of various officials and the American public."

RELATED DEVELOPMENTS -- Nov. 21 -- Chairman George H. Mahon (D Texas) of the House Appropriations Committee's Defense Department Subcommittee said closed session testimony by military experts convinced him the U.S. was ready to go into operational production of the IRBM, and that the armed services "certainly have not fallen on their faces."

Nov. 23 -- Bridges and Sen. John Stennis (D Miss.), in separate interviews, agreed that despite the need for a missile program director no one yet had been given clear authority. Bridges said the Preparedness Subcommittee, on which he is the senior GOP member, had been told Dr. James R. Killian Jr. would serve chiefly as an adviser. Stennis said if anyone had been given authority "it certainly has not been made clear."

Nov. 27 -- Senators' comment following testimony by CIA representatives before the Preparedness Subcommittee included: Estes Kefauver (D Tenn.), "A rather dismal picture, but not a hopeless one;" Stuart Symington (D Mo.), "It is a sad and shocking story and the sooner the American people know about it, the better;" Ralph E. Flanders (R Vt.), "I'm a little disturbed" by the testimony, "but we suspected it;" Johnson, "There is little comfort to be gained from realizing what the facts are concerning the advances the Soviet Union has made in certain respects;" Leverett Saltonstall (R Mass.), "very impressive" briefing.

KENNEDY-HODGES TICKET?

A rally in Boston Nov. 24 brought expressions of support for Sen. John F. Kennedy (D Mass.) for President in 1960 from Rhode Island Gov. Dennis J. Roberts (D), Boston Mayor John F. Hynes (D) and others. Kennedy the same date denied he was a candidate for the Presidency, but told a television interviewer his Roman Catholic faith should have no bearing on his qualification for office. Kennedy said: "What church I go to on Sunday or what dogma of the Catholic church I believe in is a personal matter.... It does not involve public questions of policy or as the Constitution defines responsibilities of the President, Senator or member of the armed forces." Kennedy said he believed "absolutely" in the constitutional separation of church and state.

North Carolina Gov. Luther H. Hodges (D) Nov. 21 said he knew there was a movement to obtain the Vice Presidential nomination for him but "I have not encouraged this thing; I am taking no part in it," Hodges said: "There is no question but what Kennedy is leading the (Presidential) field at this time. I do not think there would be any objection to his being a Catholic, as far as the South is concerned. But I am still not quite sure he could win. However, I can say he is still one of my favorites for nomination."

State Roundup

CALIFORNIA -- Los Angeles County Supervisor Kenneth Hahn, 37, Nov. 8 announced he would be a candidate for the Democratic nomination for the Senate in 1958. Hahn in 1956 was unopposed for reelection to his second term on the county board from a section of Los Angeles county with about one million residents. He said he would seek the nomination only if he is endorsed by the California Democratic Council. (Weekly Report, p. 1264)

A Republican supporter of right-to-work laws Nov. 19 defeated a Democratic opponent of such laws in a special election to the State Assembly. Lou Cusanovich (R) defeated Paul Roest (D), 17,346 to 16,140 in the 64th Assembly District of Los Angeles County. Two other Democrats and one Republican trailed. The 64th Assembly District, part of the 22nd Congressional District represented by Rep. Joe Holt (R Calif.), has more registered Democrats than Republicans but has voted Republican in recent elections. (Weekly Report, p. 1158)

San Francisco Mayor George Christopher (R) Nov. 25 pledged to support Sen. William F. Knowland (R Calif.) for governor. Christopher challenged his rival for the Republican Senatorial nomination, Gov. Goodwin J. Knight (R), to "say who he is for." Knight has not endorsed Knowland's candidacy.

MISSOURI -- Rep. George H. Christopher (D Mo.) Nov. 20 had his right leg amputated just above the knee. Aides said Christopher expected to be recovered in time to resume his duties in the 1958 session of Congress.

Third Party Views

Arkansas Gov. Orval E. Faubus (D) Nov. 25 replied to the CQ inquiry on a third party movement in the South. (Weekly Report, p. 1265)

Faubus wrote: "There is a great deal of impetus for such a movement in my state, and throughout the South, as it is believed that such a movement is necessary in order that we can gain recognition for the South's problems. At the present, the general opinion in the minds of the people is that neither the Republican party nor the Democratic party -- under their present leadership -- are giving enough consideration to the problems and the viewpoints of the people of the state. The people of Arkansas are traditionally Democrats; they wish to remain with the Democratic party; and, in my opinion, will not forsake their long-time loyalty to that party unless they are forced to do so by some of its national leaders. Also, large numbers of Republicans at the present in Arkansas are condemning in severe terms the attitude of the Republican party and of the national Republican Administration.

"Should members of the Democratic party be forced to break their long-time loyalty to their party by joining a new, or third party movement, they would be joined by thousands of Republicans in such a move. Also, I have received thousands of letters from both Republicans and Democrats outside the South, or the border area, condemning the attitude of both the major parties in reference to states rights. It is my opinion that, at the moment, there is a stronger sentiment for a new, or third party, movement throughout the Nation, among the members of both the major political parties, than has ever existed during my lifetime.

"The necessity or desirability of the South, or the people of the Nation, to consider such a course of action for 1960 will be determined largely by the actions of the leaders of both the Democratic and Republican parties between now and that date."

NEW YORK -- Republican State Chairman L. Judson Morhouse Nov. 23 said improvement of the GOP position in New York City "can only come through the regular organization." Morhouse's statement was taken as a warning to Robert K. Christenberry and John Roosevelt, who had announced plans to oust Thomas J. Curran as Manhattan's Republican leader. (Weekly Report, p. 1264)

WEST VIRGINIA -- Rep. Robert C. Byrd (D W.Va.) Nov. 21 announced he would seek the Democratic nomination for the Senate in 1958. Byrd, 39, is in his third term as Representative of the 6th District. He said he had decided to run for the Senate despite indications from United Mine Workers headquarters that the union would support ex-Gov. William C. Marland (D) if he sought the Senatorial nomination. Marland, who lost the 1956 Senate contest to Sen. Chapman Revercomb (R W.Va.), has not announced his plans for 1958. Revercomb is expected to seek reelection.

AMA ON HEALTH BENEFITS

The American Medical Assn. Nov. 20 said it would oppose in 1958 legislation (HR 9467) to provide hospitalization and medical benefits under the social security program. Dr. David B. Allman, AMA president, said "enactment...will permit the Federal Government to withdraw social security taxes on a compulsory basis from almost the entire working population and use those taxes to reimburse hospitals and physicians for services rendered to all persons eligible to receive old age and survivors' benefits." The AMA estimated there are 12-13 million persons eligible. (Weekly Report, p. 1193)

A special AMA committee, headed by Dr. George M. Fister of Ogden, Utah, was set up to study the health status of persons over age 65. Fister said "the pressure for expansion of the social security system into the area of health and medical care is formidable." He said the AFL-CIO had assisted the bill's sponsor, Rep. Aime Forand (D R.I.), in drafting HR 9467 and that "many members of Congress will inevitably support such legislation because of pressure from their constituents...who will be favorably impressed by the immediate benefits to be gained."

Fister named other groups that he said would oppose the legislation as the American Farm Bureau Federation, the National Retail Federation, the Chamber of Commerce of the U.S. and the National Assn. of Manufacturers as well as groups with specific health interests. Fister said the plan was "nothing more than the old national compulsory health insurance scheme in new dress," which the AMA has consistently opposed.

CED UNDERTAKES FISCAL STUDY

The Committee for Economic Development Nov. 21 announced the formation of a non-governmental Commission on Money and Credit to conduct a "full-scale" three-year inquiry into public and private monetary and credit policies. CED Chairman Donald K. David, at the 15th annual meeting of the group's board of trustees at Washington, D.C., said the 150-member non-partisan group of businessmen and educators had been given a \$500,000 initial grant by the Ford Foundation.

David said the commission would be composed of nine to 18 persons "from the ranks of business, labor, agriculture, education and research and administration fields." He said the commission's major purpose would be to provide information to Congressional and other committees and agencies that have "primary responsibility for monetary policy and legislation." David said it would be the first broad monetary policy inquiry "since the Aldrich Committee of Congress began its three-year study in 1908."

President Eisenhower, in both his State of the Union and Economic Report messages, requested Congress to set up a bipartisan civilian commission to investigate the Nation's fiscal policies. (Weekly Report, p. 35, 99) The House March 27 defeated a proposal that one of its committees undertake a full-scale investigation. (Weekly Report, p. 391) The Senate Finance Committee April 12, on its own, undertook a similar investigation. (Weekly Report, p. 484, 609, 1025)

Pressure Points

FOREIGN TRADE COUNCIL CONVENTION

The National Foreign Trade Council, at its 44th annual convention held at New York City, Nov. 21 adopted policy resolutions urging:

Renewal of the Reciprocal Trade Agreements Act.
Increased lending authority for the Export-Import Bank.

Increases in tax treaties to give more favorable treatment to foreign investments.

Measures to avoid restrictions on raw material imports.

Prudent handling of farm surplus disposal abroad to assure that foreign trade with friendly countries would not be discouraged.

AAA PROPOSES FEDERAL TRAFFIC RESEARCH

President Harry I. Kirk of the American Automobile Assn. Nov. 19 urged Congress to appropriate \$100 for each traffic death in the preceding year for traffic accident research. Kirk said on the basis of 1956 accident figures, \$4 million could have been used in 1957 for such research. In a speech before the AAA's annual convention at Phoenix, Ariz., Kirk also urged control of outdoor advertising along the Federal system of interstate highways through "reasonable Federal or state legislation." (Weekly Report, p. 427)

TEXTILE GROUPS MERGE

The American Cotton Manufacturers Institute and the National Federation of Textiles Nov. 25 said they would consolidate their operations effective May 1, 1958. The ACMI claims it represents 75 percent of U.S. cotton manufacturers, while the NFT says it represents the same percentage of man-made fiber and silk industries. The merger will result in a synthetic fibers and silk division under the Cotton Manufacturers.

AVC BACKS VETERANS PROGRAM CUTS

The American Veterans Committee Nov. 20 wrote President Eisenhower assuring him of its resistance to demands for a veterans general pension program and its support of the Administration's effort to eliminate "some of the existing high veterans benefits costs which amount to about seven cents of each tax dollar." AVC made the following proposals to the President for cutting existing veterans programs:

Eliminate non-service connected treatment at Veterans Administration hospitals. (Recommended by the Hoover Commission.)

Count total family income, including social security income, in computing limitations for existing general pension programs.

Continue and expand review and reconsideration of disability rating, eliminate from compensation those who have minor disabilities that do not affect earning capacity or social activity.



NAM CONVENTION WILL CHART 1958 PROGRAM

The National Assn. of Manufacturers will meet Dec. 4-6 at New York City for its 62nd annual Congress of American Industry. With "Government for the People" its theme, the NAM congress will hear Government spokesmen, Members of Congress and industry leaders. Panel discussions covering foreign aid and opportunities in public affairs for businessmen also will be held. NAM estimates 3,000 to 4,000 representatives of American industry will attend the meeting. The NAM claims a total membership of 22,000 manufacturing firms.

The NAM has a "Main Street merchant" counterpart in the Chamber of Commerce of the U.S. Both business groups push for Federal economy and tax reduction and express the viewpoint of business to Congress and the public on almost every major issue. The National Chamber's membership, however, is composed of state and local chambers of commerce, rather than manufacturers. Unlike the NAM, the Chamber of Commerce is a registered lobby group and files regular spending reports with Congress. It reported spending \$28,110 during the first three quarters of 1957, while the NAM's seven lobbyists reported total expenditures of \$13,651 and said they received \$50,100 in salary for lobbying over the same period.

Legislative Goals

NAM is preparing its legislative program for the 1958 session of Congress. Stephen F. Dunn, vice president for governmental relations and head of NAM's Washington office, Nov. 21 told Congressional Quarterly major NAM legislative goals in 1958 would be:

- To make labor unions subject to antitrust and monopoly law, as is industry. Dunn said the NAM was against monopoly power in any form and that it believed there was a "great concentration of economic and political power" in today's labor unions. (Weekly Report, p. 1229)

- To eliminate "unnecessary" non-military Government expenditures and to effect a balanced Federal budget for fiscal 1959. Dunn said the NAM would not oppose "necessary" military spending to maintain and improve the Nation's defense. (Weekly Report, p. 1272)

- To reduce the income tax rate for "all the people." Among the more than 1,000 income tax bills introduced in 1957, Dunn said identical bills, HR 6452 and HR 9119, came closest to expressing NAM's position on income tax reform. The bills provide that personal and corporate income taxes be lowered to a maximum of 42 percent by a series of annual reductions over a period of five years.

Dunn said NAM would oppose:

- A bill (S 11) to amend the Robinson-Patman Anti-Price Discrimination Act by specifying conditions under which a supplier could give special prices to some of his dealers. NAM particularly opposes proposed changes in the "good faith" provision of the Act that provides that

NAM Profile

NATIONAL ASSN. OF MANUFACTURERS -- 2 East 48th St., New York, N.Y.

Washington Office -- 918 16th St. N.W.

Executive Officer -- Ernest G. Swigert of the Hyster Co., Portland, Ore., president; Milton D. Lightner of the Singer Manufacturing Co., Elizabeth, N.J., president-elect.

National Vice President -- Milton C. Lightner who will become president. A new national vice president will be elected at the annual congress.

Chairman of the Board -- Cola G. Parker of Kimberly-Clark Corp., Neenah, Wis., who will become chairman of the executive committee. Swigert will succeed Parker as board chairman.

Ranking Officer -- Charles R. Sligh, executive vice president.

Legislative Representatives -- Stephen F. Dunn, vice president for Governmental relations, and James W. Douthat, George M. Fuller, William S. Neal, R.T. DeVany, Eugene J. Hardy and Joseph L. Borda. All are registered under the Federal Regulation of Lobbying Act.

Reported Spending -- The NAM is not registered under the lobby law, therefore no group reports are required. Its seven lobbyists reported spending a total of \$13,651 and receiving a total of \$50,100 in salaries for lobbying purposes during the first three quarters of 1957.

Political Spending -- The NAM, as a non-profit trade association, is prohibited by the Federal Corrupt Practices Act from making political contributions as a group and it endorses no candidates for office. However, according to a report compiled by the Senate Government Operations Privileges and Elections Subcommittee, 21 NAM officers, directors and regional and honorary vice presidents reported a total of \$81,475 in individual contributions to the Republican party in 1956, none to the Democratic party. (Weekly Report, p. 175)

Membership -- Approximately 22,000 manufacturing firms in the U.S. The NAM says 83 percent of member firms come within Congress' definition of small businesses -- 500 employees or less.

Purpose -- Founded in 1895 "to assist manufacturers to appraise the significance of social, legislative and economic trends as they affect business and people, the community and the Nation."

"nothing...shall prevent a seller rebutting the prima facie case thus made by showing that his lower price or the furnishing of services or facilities to any purchasers... was made in good faith to meet an equally low price of a competitor, or the services of facilities furnished by a competitor." (1956 Almanac, p. 522)

The Nat'l Assn. of Manufacturers

In testimony before the Senate Judiciary Antitrust and Monopoly Subcommittee, NAM Board Chairman Cola G. Parker March 27 said S 11 would severely restrict the right of sellers to engage in price competition, encourage price rigidity at all marketing levels and deprive the consuming public of the fruit of free and open competition. (Weekly Report, p. 413)

- A bill (HR 7698) to provide for pre-merger notification. Supported by the Administration, the bill would require 60 days' advance notice to the Justice Department and Federal Trade Commission when a merger was contemplated by two businesses whose combined capital exceeded \$10 million. Ernst W. Farley Jr., chairman of NAM's Industrial Problems Committee, March 20 told the Senate Antitrust and Monopoly Subcommittee that any mandatory waiting period would "freeze" the relationship of the parties to a proposed merger and impose a "real and unnecessary hardship on business enterprises which must make decisions and take action when conditions are most favorable for the... transaction." (Weekly Report, p. 367)

- Any extension of Public Law 162, authorizing construction with Federal funds of atomic energy facilities. NAM opposed enactment of the law in 1957 and will oppose any extension of it that might come up in 1958. (Weekly Report, p. 1003)

- Hells Canyon legislation (S 555) providing for Federal construction of a high dam on the Snake River, on the Idaho-Oregon border. (Weekly Report, p. 682)

NAM Approach

The NAM employs seven lobbyists in its Washington office of 38 staff members. The seven reported spending a total of \$31,651 to influence legislation during the first three quarters of 1957. According to Richard Haven, NAM Washington staff member, lobbying is accomplished primarily through a "grass roots" approach. NAM keeps its members and the public informed of Washington developments and of its position on them through five periodicals, several "press services" and NAM-sponsored radio and television programs.

Haven Nov. 25 said the NAM "public relations" or "indirect" lobbying approach often was more effective than "pounding on a Congressman's desk," although NAM's lobbyists frequently contact Members of Congress and call on NAM leaders to testify before Congressional committees. For example, in its Sept. 27 issue, the NAM News urged members interested in testifying before the House Ways and Means Committee on 1958 tax reform to file their requests with the Committee. It said "the more letters, and the more witnesses, the greater the chances of a cut and the greater the cut."

The NAM is not registered under the Federal Regulation of Lobbying Act because it does not consider itself subject to the law, as interpreted in the 1954 Supreme Court decision in the case of *U.S. vs. Harriss et al* (347 U.S. 612). The Supreme Court ruled that the lobby law applied only to those groups whose principal purpose it was to influence legislation by "direct communication" with Congress. (1954 Almanac, p. 674)

The NAM claims only 4.5 percent of its total funds is spent for Government relations (direct lobbying), although almost 50 percent of total NAM expenditures goes for "public information" and nearly 14 percent for "research and policy formulation."

In 1952, a Federal district court granted the NAM an injunction against prosecution under the lobby law as a result of a 1948 NAM suit contesting the law's constitutionality until a final court decision could be reached. In the case of *National Assn. of Manufacturers vs. J. Howard McGrath*, the court ruled that certain sections of the Lobbying Act were too vague, and that the penalties prescribed for persons breaking the law were unconstitutional. The Supreme Court later that year ruled that the lower court's decision be dismissed because Attorney General J. Howard McGrath was not in office when he was named a defendant, thus leaving the law's provisions intact. In recent years the NAM has not filed any financial statements with Congress, and is not registered as a lobby. (1952 Almanac, p. 454)

Policy Making

NAM policy is set by 11 policy committees named each year by the NAM's 176-member board of directors. The committees: Government economy, Government contracts, industrial relations, industrial problems, taxation, conservation of renewable natural resources, nuclear energy, employee health and benefits, research, marketing and patents. Membership on the policy committees averages 270 persons; NAM members request service on the policy committees.

NAM says the duties of the policy committees are to "study and debate major questions" and develop recommendations for consideration by the board. Committee recommendations and the reasoning behind them are presented with minority views, if any, to the board of directors. The board may accept the recommendation or reject it pending further study by the policy committee. A two-thirds majority vote of the board is required to adopt a policy recommendation which stands until modified by subsequent board action.

The board is elected annually by the membership, each member having one vote regardless of size. Thus General Motors Corp., with annual NAM dues of \$75,000, has the same vote as a small manufacturing firm paying \$50 in annual dues. Likewise, each board member has only one vote. The NAM members' dues are tax deductible.

Ernest G. Swigert, out-going NAM president, said "it is hardly conceivable that each of NAM's many members will concur completely in all details of every Association policy," but each member "can rest assured that such policy has been adopted by the most democratic procedure possible to devise."

The board sets down its policy declarations in NAM's annual *Industry Believes*. Although no specific pieces of legislation are mentioned, according to Dunn the outline serves as a framework for stands to be taken on specific bills in Congress.

NAM in Congress

Three Members of Congress have served as officials of the National Assn. of Manufacturers. Sen. Wallace F. Bennett (R Utah) was NAM president in 1949, and Sen. William A. Purtell (R Conn.) and Rep. Edward J. Robeson Jr. (D Va.) were members of NAM's board of directors.

Secretary of Commerce Sinclair Weeks also served as a NAM director.

Congressional Quiz

PRESIDENTIAL TRAVELERS

When President Eisenhower goes to Paris for the December NATO conference, he will not be the first President to travel outside the United States during his time in office. How is your knowledge of foreign traveling done by Presidents?

1. Q--True or false: No President prior to Woodrow Wilson traveled to a foreign country during his term of office.

A--True. Wilson made two trips to Europe in 1918 and 1919 as a member and chairman of the delegation to the peace conference. Before that there was an established practice, though by no means a constitutional one, that Presidents in office stayed in U.S. territory. President Theodore Roosevelt once went to the Panama Canal Zone.

2. Q--Wilson made his trips by ship; who was the first President to fly across the Atlantic?

A--Franklin D. Roosevelt flew the Atlantic when he attended the Casablanca conference in 1943. In 1932 Roosevelt made a spectacular flight from Albany to Chicago to accept his first nomination. Following that, because the Secret Service said it was too dangerous, Roosevelt did not fly until the African flight.

3. Q--Which President attended an international conference outside the United States without setting foot on foreign soil: (a) Wilson; (b) Harding; (c) F.D. Roosevelt?

A--(c). When Roosevelt met with British Prime Minister Winston Churchill in August, 1941, to set up the Atlantic Charter they met aboard ship off the shores of Newfoundland.

4. Q--President Truman made two extended trips outside the continental U.S.; one was to the Potsdam Big Three conference, the other was to: (a) Wake Island; (b) Australia; (c) Russia?

A--(a). Truman visited Wake Island, a U.S. possession in the Pacific, in October, 1950, to consult with Gen. Douglas MacArthur.

5. Q--True or false: President Eisenhower has not crossed the Atlantic since he has been in office.

A--False. Mr. Eisenhower went to Geneva, Switzerland, for a Big Four conference in July, 1955. In March, 1957, he journeyed to Bermuda to meet British Prime Minister Harold Macmillan and in 1953 he paid an official visit to Canada. Following his 1952 election but before his inauguration he made an inspection trip to Korea.

6. Q--Can the President act on legislation while he is outside the United States?

A--Yes. Although President Wilson returned from Europe especially to sign bills (then considered a necessity before Congress could adjourn), President Roosevelt vetoed two bills while in Africa in 1943. Other Presidents have signed or vetoed bills while on foreign soil.

Check your Congressional Quarterly Almanacs for additional details and background information on the news of Congress appearing in the Weekly Reports. Published since 1944, the CQ Almanac is fully indexed and cross referenced.



Eisenhower Illness President Eisenhower Nov. 25 suffered what his doctors described as a cerebral occlusion. They said his condition was "mild and transitory in nature" but would require several weeks "of rest and substantially decreased activity." The President was reported to be suffering from a slight speech impairment, but his physical strength was said to be normal. Attending doctors said the President's attack had nothing to do with his previous heart attack, but declined to describe it as a mild stroke. (Page 1273)

Development Loan Fund

When the Battle of the Budget resumes in January, one item of \$625 million is certain to feel the cutting edge of the Congressional pruning knife. This is the amount President Eisenhower wants for his Development Loan Fund, the mechanism authorized by Congress last August to channel long-term low-interest economic assistance to underdeveloped nations. It was designed to replace outright grants of money. The whole foreign aid program is in for rough handling on Capitol Hill. But the Loan Fund is especially vulnerable. Although three months have passed since Congress voted \$300 million to launch the Fund, it's still in drydock. (Page 1277)

Missile Program

Senate hearings on the satellite-missile program opened with a warning from Chairman Lyndon B. Johnson on the seriousness of the threat to U.S. security. Outstanding scientists testified on the need to accelerate the missile program, and urged more stress on scientific education. Inter-service bickering was criticized, and an overhaul of the Unification Act was proposed by Dr. Vannevar Bush, director of the Government's war-time scientific research program. Defense Secretary McElroy disclosed that production of both the Thor and Jupiter missiles had been authorized. Testimony by CIA Director Allen W. Dulles brought expressions of alarm from Senators, all of whom indicated they were shocked by revelations of Russian advances. (Page 1280)

Faubus on 3rd Party

Arkansas Gov. Orval E. Faubus (D) says there is "a great deal of impetus" for a third-party movement both in Arkansas and throughout the South. In a letter to Congressional Quarterly Faubus said he thought "there is a stronger sentiment for a new, or third party, movement throughout the Nation, among the members of both the major political parties, than has ever existed during my lifetime." (Page 1281)

Presidential Disability

When is the President so disabled that he cannot perform his duties? Whodecides? President Eisenhower's cerebral occlusion -- his third major illness in slightly more than two years -- again brings up a problem that has vexed constitutional authorities throughout U.S. history. While conceding the President's illness would require several weeks "of rest and substantially decreased activity," White House sources have tended to discount the disability issue. (Page 1274)

NAM Convention

The National Assn. of Manufacturers' lobbying season opens Dec. 4 when business leaders gather in New York City to take a hard look at the Federal Government. Under the convention banner of "Government for the People," business leaders will talk mostly about Federal spending and labor's power. The NAM wants less of both. These speeches will serve to broadcast NAM views and stimulate discussions among its leaders. Then comes the lobby campaign to get NAM views written into law and to stop contrary proposals from making any headway through Congress. (Page 1283)

Civil Rights Post

The White House confirmed reports it would name Assistant Attorney General W. Wilson White to head the Justice Department's new Civil Rights Division. White will resign from his current post, then will be named to the new post. This maneuver will provide an opportunity for the Senate to vote on White's appointment. Earlier there had been speculation White would simply be transferred from one post to another, thus doing away with the necessity of Senate confirmation. (Page 1276)